

Message Text

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14

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E.O. 11652: N/A

TAGS: BENC, NI

SUBJECT: MAJOR PROJECT: PULP AND PAPER: FERNCLEM GROUP

REF: (A) STATE 208328 (B) LAGOS 9662

1. EMBASSY PETROLEUM OFFICER RECEIVED INQUIRY AUGUST 2 ABOUT FERNCLEM GROUP ENTERPRISES FROM MR. GORDON BEACH, PRESIDENT, KAI NUI INTERNATIONAL, INC., 8514 REMICK AVENUE, P.O. BOX 819, SUN VALLEY, CALIFORNIA 91352, TELEPHONE (213) 767-1076. BEACH SAID FERNCLEM HAD CLAIMED TO HAVE NIGERIAN CRUDE OIL AVAILABLE FOR SALE, AND HE HAD SIGNED CONTRACT WITH FERNCLEM FOR 7,000 BARRELS PER DAY OF BONNY LIGHT. HOWEVER, SINCE SIGNING CONTRACT, BEACH HAD RECEIVED NO WORD OF DATE FOR LIFTING CRUDE AND WAS WORRIED SINCE HE HAD PAID FERNCLEM CONSIDERABLE AMOUNT OF MONEY.

2. BASED ON OLD WTDR QUESTIONNAIRE NEVER COMPLETED, EMBASSY WROTE BEACH FOLLOWING INFORMATION ON FERNCLEM (UNNECESSARY WORDS OMITTED) QTE IN LATE 1973 FERNCLEM, BEGUN 1972, CAME TO ATTENTION EMBASSY AS SMALL SIZED FIRM IMPORTING AND DISTRIBUTING TEXTILES, SHOES, CEMENT, ELECTRICAL APPLIANCES, BUILDING MATERIALS, CARS AND TRACTORS, AND EXPORTING PINEAPPLES AND NIGERIAN FOODS. ACCORDING CREDIT REFERENCES, FIRM APPEARED BE OPERATING SATISFACTORILY WITH ACCOUNT IN FOUR FIGURES. REPORT 1974 FROM MINISTRY TRADE SHOWED FIRM CLAIMED HAVE ANNUAL TURNOVER DOLLARS 800,000 AND ASSETS DOLLARS 2 MILLION. ACCORDING LOCAL NEWSPAPER ARTICLE 1974, FIRM HAD ENTERED PARTNERSHIP WITH TWO CALIFORNIA BASED CEMENT COMPANIES TO ESTABLISH LARGE CEMENT FACTORY MIDWEST
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NIGERIA. U.S. FIRMS WERE AMCORP (FORMER AMERICAN CEMENT) AND

GILIBRAND COMPANY. IN APRIL 1975, FERNCLEM INFORMED EMBASSY IT ASSOCIATED WITH U.S. FIRM CALLED THIRD WORLD DEVELOPMENT SPECTRUM, WHICH SET UP OFFICE IN FERNCLEM NAME AT 15824 LASSEN STREET, GRENADA HILLS, CALIFORNIA 91343. OWNER OF FERNCLEM, C.O.A. INEGBEJE, LISTED AS MANAGING DIRECTOR, WITH AMERICANS STEVE STEGMAN, D. REYNOLDS AND R.M. LOCKWOODS AS DIRECTORS. THIS FIRM ANNOUNCED IT WOULD UNDERTAKE VARIOUS AGRO-INDUSTRY PROJECTS IN NIGERIA, AS WELL AS DOLLARS 80 MILLION CEMENT PLANT MENTIONED BEFORE. EMBASSY HAS NO RECORD LATER DEVELOPMENTS. UNQTE

3. EMBOFF ALSO INFORMED BEACH THAT AS FAR AS EMBASSY AWARE, NIGERIAN GOVERNMENT MAKES ALL CRUDE OIL SALES DIRECTLY THROUGH NIGERIAN NATIONAL OIL COMPANY AND, WITHOUT STATING THAT FERNCLEM OFFER SOUNDED DUBIOUS, ADVISED BEACH TO WRITE NNOC MARKETING MANAGER TO VERIFY FIRM'S CLAIM.

4. FERNCLEM MAY BE LEGITIMATE OPERATION, BUT WOULD ADVISE U.S. FIRM INQUIRING ABOUT PULP AND PAPER DEAL TO PROCEED WITH CAUTION ON BASIS BEACH'S EXPERIENCE WITH CRUDE OIL CONTRACT. BEACH REQUESTED HIS INQUIRY ABOUT FERNCLEM BE TREATED AS CONFIDENTIAL AND NOT BE REVEALED IN ANY WAY TO FERNCLEM. HOWEVER, USDOC MAY WISH TO CONTACT BEACH TO ASCERTAIN WHETHER HE HAS LEARNED ANYTHING MORE ABOUT RELIABILITY FERNCLEM, AND, WITHOUT DIVULGING SOURCE, PASS RESULTS ON TO PULP AND PAPER ENGINEERING FIRM. EMBASSY WILL ATTEMPT TO LEARN MORE ABOUT FERNCLEM FROM THIS SIDE, BUT ITS PERFORMANCE ON CRUDE OIL DEAL WITH KAI NUI INTERNATIONAL WOULD APPEAR TO BE CRUCIAL LITMUS TEST OF ITS BONA FIDES. USDOC MAY ALSO BE ABLE CHECK OUT U.S. OFFICE OF FERNCLEM WITH LOCAL U.S. CHAMBER OR BETTER BUSINESS BUREAUS.
EASUM

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